

AMENDED IN SENATE JUNE 20, 2013

AMENDED IN ASSEMBLY MAY 1, 2013

AMENDED IN ASSEMBLY APRIL 16, 2013

AMENDED IN ASSEMBLY APRIL 1, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

## **ASSEMBLY BILL**

**No. 1162**

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**Introduced by Assembly Member Frazier**

February 22, 2013

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An act to add Section 69505.6 to the Education Code, relating to student financial aid.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1162, as amended, Frazier. Student financial aid: debit cards.

Existing law provides for the missions and functions of the private and public segments of postsecondary education in the state. Existing law establishes various student financial aid programs for students attending all segments of postsecondary education.

This bill would require the Board of Governors of the California Community Colleges and the Trustees of the California State University, and request the Regents of the University of California and the governing bodies of accredited private nonprofit and for-profit postsecondary educational institutions, to adopt policies to be used for negotiating contracts between their postsecondary educational institutions and banks and other financial institutions to disburse a student's financial aid award and other refunds onto a debit card, prepaid card, or preloaded card that best serves the needs of the students. The bill would encourage postsecondary educational institutions to consider

specified issues in adopting their policies. *The bill would require the policies adopted to ensure that contracts between postsecondary educational institutions and banks or other financial institutions to disburse a student's financial aid award do certain things, including: ensure that a student does not incur any cost in opening the account or initially receiving the debit card, prepaid card, or preloaded card; ensure that a student has convenient access to a branch office of the bank or an automated teller machine, as specified; ensure that the debit card, prepaid card, and preloaded card can be widely used; and to not market or portray the account or debit card, prepaid card, or preloaded card as a credit card or credit instrument, or to subsequently convert the card to a credit card or credit instrument.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 69505.6 is added to the Education Code,  
2 to read:  
3 69505.6. (a) The Board of Governors of the California  
4 Community Colleges and the Trustees of the California State  
5 University shall, and the Regents of the University of California  
6 and the governing bodies of accredited private nonprofit and  
7 for-profit postsecondary educational institutions are requested to,  
8 adopt policies to be used for negotiating contracts between their  
9 postsecondary educational institutions and banks and other  
10 financial institutions to disburse a student's financial aid award  
11 and other refunds onto a debit card, prepaid card, or preloaded  
12 card that best serves the needs of the students. ~~Postsecondary~~  
13 (b) *Postsecondary* educational institutions are encouraged to  
14 consider all of the following in adopting their policies:  
15 (a)  
16 (1) Whether to provide students a clear and unbiased choice of  
17 where to bank by ensuring that students can elect to receive their  
18 financial aid ~~award~~ awards and other refunds through their own  
19 bank ~~account~~ accounts or on a ~~check~~ checks and that students not  
20 be subjected to paperwork that attempts to direct them to banking  
21 options favored by the bank or financial institution with which the  
22 institution is partnering.  
23 (b)

(2) Whether to require at least one fee-free regularly replenished automated teller machine to be placed on a participating campus or satellite campus, and additional fee-free regularly replenished automated teller machines placed on campuses in high enough concentration to avoid students having to use multiple automated teller machines, ~~with~~ *at* which a student may use his or her debit card, prepaid card, or preloaded card to access his or her financial aid award and other refunds.

~~(e)~~

(3) Whether to prohibit debit card, prepaid card, or preloaded card use from imposing fees common to students, including, but not limited to:

~~(1)~~

(A) Insufficient fund fees at automated teller machines or ~~point~~ *points* of sale.

~~(2)~~

(B) Account balance inquiry fees.

~~(3)~~

(C) PIN-based transaction fees.

~~(4)~~

(D) Inactive account fees.

~~(5)~~

(E) Replacement card fees.

~~(6)~~

(F) Transfer or wire fees.

~~(7)~~

(G) Dispute fees.

~~(8)~~

(H) Account closure fees.

~~(d)~~

(4) Whether to require all debit card, prepaid card, or preloaded card fees to be prominently displayed on the partnering bank or financial institution's Internet Web site or information mailed to students.

~~(e)~~

(5) Whether to prohibit the debit cards, prepaid cards, or preloaded cards from being cobranded, which means including the logo of the postsecondary educational institution.

~~(f)~~

1 (6) Whether to require the debit cards, prepaid cards, or  
2 preloaded cards and their contracts to include the same level of  
3 consumer protections that are provided to automated teller machine  
4 customers under the federal Electronic Fund Transfer Act (15  
5 U.S.C. Sec. 1601 et seq.) as it exists on January 1, 2014.

6 ~~(g)~~  
7 (7) Whether to prohibit debit card, prepaid card, or preloaded  
8 card contracts from including mandatory arbitration clauses.

9 (c) *The policies adopted pursuant to subdivision (a) shall,*  
10 *consistent with federal law, ensure that contracts between*  
11 *postsecondary educational institutions and banks or other financial*  
12 *institutions to disburse a student's financial aid award and other*  
13 *refunds onto a debit card, prepaid card, or preloaded card do at*  
14 *least all of the following:*

15 (1) *Ensure that the student does not incur any cost in opening*  
16 *the account or initially receiving the debit card, prepaid card, or*  
17 *preloaded card.*

18 (2) (A) *Ensure that the student has convenient access to a*  
19 *branch office of the bank or an automated teller machine of the*  
20 *bank in which the account was opened or of another bank, so that*  
21 *the student does not incur any cost in making withdrawals from*  
22 *that office or those automated teller machines.*

23 (B) *The branch office or automated teller machines must be*  
24 *located on the postsecondary educational institution's campus, in*  
25 *an institutionally owned or operated facility, or immediately*  
26 *adjacent to and accessible from the campus.*

27 (3) *Ensure that the debit card, prepaid card, or preloaded card*  
28 *can be widely used.*

29 (4) *Not market or portray the account or debit card, prepaid*  
30 *card, or preloaded card as a credit card or credit instrument, or*  
31 *subsequently convert the account or debit card, prepaid card, or*  
32 *preloaded card to a credit card or credit instrument.*